

TKFEN

To assess the financials, operations, and outlook of Tekfen Holding, we conducted a visit. The main topics highlighted in the meeting were: i) strategic choices and operational profitability, ii) activities by segment, and iii) forward-looking expectations.

Highlights of the Meeting

1Q24 financials... In the first quarter of 2024, Tekfen Holding's financial performance showed a 2.1% increase in revenue compared to the same period last year, reaching 16,068 million TL. The company's gross profit was recorded at 1,937 million TL, with a gross profit margin of 12.06%. The operating profit was 36 million TL, resulting in an operating profit margin of 0.23%. EBITDA was calculated at 729 million TL, with an EBITDA margin of 4.54%. The pre-tax profit was 93 million TL, while the net period loss was recorded at -533 million TL.

Green transformation... In May, Enerjisa Üretim and Tekfen announced a collaboration on a high-capacity green hydrogen and green ammonia production project. This project combines Tekfen's experience in engineering and industrial plant construction with Enerjisa Üretim's expertise in renewable energy. Green ammonia has been identified as a common growth area for both Tekfen's Contracting Group and Agricultural Industry segment. In the Agricultural Industry Group, Tekfen aims to offer products with a low carbon footprint to both domestic and international markets by producing green ammonia in line with the European Union's Border Carbon Regulation Mechanism. In the Contracting Group, Tekfen plans to expand its EPC services, viewing the global increase in demand for green hydrogen and green ammonia as an opportunity.

As part of its green transformation strategy, Tekfen Renewable Energy Solutions Company, established for renewable energy investments, signed a share transfer agreement in March for the 14.4 MW licensed Marmara Wind Power Plant in Balıkesir. Its subsidiary, Toros Tarım, acquired the remaining 30% stake of Gönen Renewable Energy Production, becoming the sole owner after initially acquiring a 70% stake in 2019

Shrink to Grow... Approximately 500 million dollars will be invested in the Agricultural Industry Group, with projects including sulfuric and phosphoric acid facilities, pier and tank investments, digital transformation, and R&D activities at Toros Tarım A.Ş.'s Ceyhan factory. With the end of the downsizing process in the Contracting Group, the focus will shift cautiously towards growth.

TKFEN

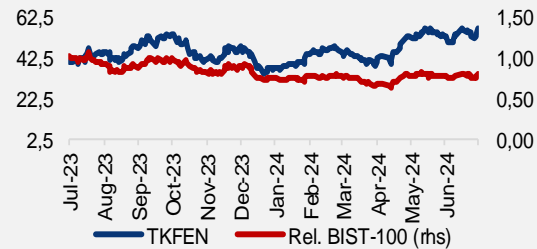
Share Data

Ticker:	TKFEN TI
Share price (as of 23 May 2024)	57,00
Share price (52 week range)	34 / 57
Market cap. (TL mn - USD mn)	21.090 - 649
# of shares outstanding (mn)	370
Free Float	48%

Avg. trading volume	1M	3M	12M
USD mn	6,9	8,9	10,0

Price performance	1M	3M	Y-t-D
TL	9%	42%	54%
USD	8%	39%	40%
Rel. to BIST-100	4%	19%	6%

Valuation	2022	2023	2024
P/E	17,3x	9,5x	44,9x
P/BV	1,0x	1,3x	1,1x
EV/EBITDA	3,8x	25,1x	3,5x
EV/Sales	0,65x	0,43x	0,46x



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Operations by Segment

Tekfen Holding's performance for the 1Q24 period in its three main segments is as follows:

- **Engineering & Contracting:** 4,699 million TL revenue, 249 million TL net profit, and 611 million TL EBITDA.
- **Agricultural Industry:** 11,249 million TL revenue, -132 million TL net loss, and 729 million TL EBITDA.
- **Investment:** 121 million TL revenue and -533 million TL net loss.

Engineering and Contracting Group: The full receivable from the Baku Olympic Stadium project was collected, generating an income of 54.5 million USD. A discount agreement of 5.1 million USD was made for the Qatar Al-Thumama project, and a collection of 22.4 million USD was realized for the Saudi Arabia Haradh project. Additionally, 14 million USD in extra work was undertaken for Tüpraş projects, and an additional tank construction job worth 10 million USD was assumed for the BTC Pipeline project. In the first quarter of 2024, Tekfen Construction submitted a total of 6 bids amounting to 1.76 billion USD.

Agricultural Industry Group: There was a significant increase in fertilizer sales. In the first quarter of 2024, total domestic classic fertilizer sales increased by 44% compared to the same period last year. Toros Tarım acquired the remaining 30% stake of Gönen Renewable Energy Production A.Ş., becoming its sole owner. Due to expectations of exchange rate increases, dealers and farmers have tended to stockpile. Total fertilizer production increased by 37% in the first quarter of 2024.

Investment Group: On 01.03.2024, the share transfer agreement for the 14.4 MW Marmara Wind Power Plant in Balıkesir was signed. A letter of intent was signed with Enerjisa Üretim regarding green hydrogen and green ammonia. Additionally, the merger processes of Tekfen Taşınmaz and Toros Taşınmaz companies are ongoing.

Other Developments... Despite droughts in various regions of the country, overall, a normal or rainy period was experienced in agricultural production. Alanar Fruit achieved an export sale of 19 tons in the first quarter of 2024. This summary presents Tekfen Holding's financial performance and activities for the first quarter of 2024, providing detailed performance information and strategic developments in the engineering and contracting, agricultural industry, and investment areas.

About Company

Founded in 1956 by Feyyaz Berker, Nihat Gökyiğit, and Necati Akçağlılar, Tekfen Holding began its operations with engineering and consultancy services and has since expanded into the fields of engineering and contracting, agricultural industry, and investment.

Balance Sheet	2019	2020	2021	2022	2023
Cash	4.107	3.341	5.116	9.755	8.852
Accounts receivables	1.953	2.039	2.814	6.842	6.899
Inventory	1.449	2.034	3.952	13.374	11.367
Other current assets	1.708	1.600	3.525	7.070	4.421
Current assets	9.217	9.013	15.407	37.042	31.538
Financial investments	497	1.531	1.962	5.166	5.589
Net fixed assets	2.135	2.577	3.442	15.604	17.778
Intangible assets	45	44	55	175	172
Other non-current assets	768	752	1.048	3.665	5.616
Non-current assets	3.446	4.904	6.506	24.609	29.155
Total assets	12.663	13.917	21.914	61.651	60.693
Short-term financial loans	620	2.086	3.177	4.489	7.793
Accounts payables	3.330	3.418	6.833	17.411	12.691
Other short-term payables	2.694	1.971	3.064	8.239	10.714
Current liabilities	6.645	7.475	13.073	30.138	31.199
Long-term financial loans	215	273	325	3.291	2.770
Other long-term payables	306	359	790	2.891	1.374
Non-current liabilities	521	632	1.115	6.182	4.144
Shareholders' equity	5.497	5.811	7.725	25.331	25.350
Parent company	5.429	5.730	7.596	24.980	24.960
Minorities	68	81	130	351	390
Total liabilities & equity	12.663	13.917	21.914	61.651	60.693
Net debt	-3.271	-983	-1.614	-1.976	1.712
Net working capital	-915	283	395	1.637	-718
Net working capital (Operatin	72	654	-66	2.806	5.575
Invested Capital	1.265	2.904	3.891	17.416	17.231
Ratios					
Profitability					
ROE	28,6%	-1,1%	12,4%	8,4%	-4,5%
Net margin	9,7%	-0,5%	5,2%	2,5%	-2,7%
Asset turnover	1,2x	0,9x	0,9x	1,3x	0,7x
Leverage	2,5x	2,4x	2,6x	2,5x	2,4x
ROA	11,5%	-0,5%	4,7%	3,3%	-1,9%
ROIC	159,5%	3,2%	5,1%	-3,0%	-10,7%
Leverage					
Financial debt/Total assets	7%	17%	16%	13%	17%
Net debt/Equity	-0,60	-0,17	-0,21	-0,08	0,07
Net debt/EBITDA	-1,71	-2,47	-2,49	-1,57	-2,12

Source: Bloomberg, Tacirler Investment

* All figures are stated in millions of TL unless otherwise stated.

Income statement	2019	2020	2021	2022	2023
Revenues	14.603	11.730	16.223	54.992	43.136
Gross profit	2.402	914	1.280	2.795	1.229
Operating expenses	774	831	1.064	3.200	3.536
Operating profit	1.627	83	216	-405	-2.307
EBITDA	1.917	398	647	1.260	-808
Other income, net	-86	-139	-386	444	493
Financial income, net	231	225	1.218	128	-19
Earnings before taxes	1.777	229	1.129	1.687	-1.775
Tax expense	362	297	300	279	-623
Net earnings - Parent	1.421	-60	839	1.389	-1.150
Cashflow statement					
EBITDA	1.917	398	647	1.260	-808
Taxes on EBIT	332	108	57	-67	-810
Capital expenditures	236	537	536	1.718	960
Chg. in NWC	743	1.198	112	1.242	-2.355
Free cashflows to firm	606	-1.444	-57	-1.633	1.397
Growth & margins					
Revenues	20,2%	-19,7%	38,3%	239,0%	-21,6%
EBITDA	30,4%	-79,2%	62,5%	94,7%	-164,1%
Net earnings	1,3%	-104,2%	-1495,8%	65,5%	-182,8%
Gross margin	16,4%	7,8%	7,9%	5,1%	2,8%
Operating margin	11,1%	0,7%	1,3%	-0,7%	-5,3%
EBITDA margin	13,1%	3,4%	4,0%	2,3%	-1,9%
Net margin	9,7%	-0,5%	5,2%	2,5%	-2,7%
Free cashflow margin	9,7%	-0,5%	5,2%	2,5%	-2,7%
Per share (TL)					
EPS	3,84	-0,16	2,27	3,75	-3,11
BVPS	14,86	15,71	20,88	68,46	68,51
DPS	0,81	2,84	3,10	2,97	3,41
Valuation					
P/E	14,8x	12,5x	12,9x	17,3x	9,5x
P/BV	1,01x	0,99x	1,05x	1,04x	1,31x
EV/EBITDA	5,8x	4,5x	3,7x	3,8x	25,1x
EV/Sales	0,87x	0,73x	0,65x	0,65x	0,43x
Dividend Yield	2,4%	8,4%	8,1%	4,9%	2,5%
Free cashflow yield	4,9%	-11,6%	-0,4%	-7,3%	2,8%

Yatırım Merkezlerimiz

Genel Müdürlük

Nispetiye Cad. B-3 Blok Kat: 9 Akmerkez Etiler - İSTANBUL
0 212 355 46 46

Adana	Cemal Paşa Mah. Gazipaşa Bul. Cemal Uğurlu Apt. Kat: 1 D: 4	(0 322) 457 77 55
Akatlar İrtibat Bürosu	Akat Mahallesi Meydan Caddesi B Blok No: 16 D: 8 (Eski No D: 10) Beşiktaş	(0 212) 355 46 46
Ankara	Remzi Oğuz Anık Mah. Tunalı Hilmi Cad. Yaprak Apt. No: 94 Kat: 2 D: 9 Kavaklıdere Çankaya	(0 312) 435 18 36
Ankara - Çukurambar İrtibat Bürosu	Kızılırmak Mah.Ufuk Üniversitesi Cad. Next Level Loft Ofis No: 4/65 Kat: 24 Söğütözü Çankaya	(0 312) 909 87 70
Antalya	Şirinyalı Mah. İsmet Gökşen Cad. Özden Apt. No:82/6 Muratpaşa	(0 242) 248 45 20
Bakırköy	İstanbul Cad. Bakırköy İş Merkezi No: 6 Kat: 4 D: 14 Bakırköy	(0 212) 570 52 59
Bodrum İrtibat Bürosu	Konaklı Mahallesi, Atatürk Bulvarı, Arbor-Abdullah Ünal Çabuk İş Merkezi No: 285/1-A6 Bodrum	(0 212) 355 46 46
Bursa	Konak Mah. Barış (120) Sokak , Ofis Artı Binası, Dış kapı No:3 Daire:33 Nilüfer-BURSA	(0 224) 225 64 10
Çankaya İrtibat Bürosu	Çankaya Mahallesi Cinnah Caddesi Cinnah Apartmanı No: 55 D: 7-8 Çankaya / ANKARA	(0 212) 355 46 46
Denizli	Urban İş Merkezi 2. Ticari Yol Daire 26 Kat: 6 Bayramyeri	(0 258) 265 87 85
Erenköy	Bağdat Cad. Çubukçu Apt. No: 333 Kat: 2 D: 4 Kadıköy	(0 216) 348 82 82
Gaziantep	İncilipinar Mah. Gazimuhtarpaşa Bul. Kepkepzade Park İş Merkezi B Blok No: 18 Kat: 1 D: 5	(0 342) 232 35 35
Girne	Ziya Rızıkı Cad. Şehit Necati Gürkaya Sok. Kat: 1 D: 1 Girne - KKTC	(0 392) 815 14 55-0533 889 15 51
İzmir	Şair Eşref Bul. Ragıp Şanlı İş Merkezi No: 6 Kat: 3 D: 306 Çankaya	(0 232) 445 01 61
İzmir Karşıyaka Şube	Yalı Mahallesi Ahmet Kemal Baysak Bulvarı No:42 D:11	(0 232) 241 19 24
İzmir İrtibat Bürosu	Şehit Nevres Bulvarı Eczacıbaşı Apartmanı No: 7 Kat: 2 Daire: 5 Pasaport Alsancak - Konak	(0 232) 241 24 50
İzmit	Hürriyet Cad. Kaya İşhanı No: 39/5 İzmit	(0 262) 323 11 33
İzmit İrtibat Bürosu	Ömerağa Mah. Alemdar Cad. İ. Kolaylı Apt. No: 8 Kat: 2 İzmit	(0 262) 260 01 01
Karadeniz Ereğli	Murtaza Mah. Hamamüstü Sok. İ. Esat Taneri İş Merkezi No: 19 Kat: 2 Karadeniz Ereğli	(0 372) 316 40 50
Kartal	Üsküdar Cad. Cevat Kayacan Apt. No: 26 Kat: 4 D: 8 Kartal	(0 216) 306 22 71-306 22 06
Kayseri	Hunat Mah. Nuh Mehmet Baldöktü Sok. Gürcüoğlu Plaza No: 5 K: 3 D: 11 Melikgazi	(0 352) 221 08 68-222 82 51
Marmaris İrtibat Bürosu	Kemeraltı Mah. Orgeneral Mustafa Muğlalı Cad. Güven Apt. No: 22 D: 2 Marmaris	(0 252) 321 08 00
Merkez Şube	Akat Mahallesi Meydan Caddesi B Blok No: 16 D: 7 (Eski No D: 9) Beşiktaş	(0 212) 355 46 46
Mersin	İnönü Mah. 1401 Sok. No:32 Pozcu Evo Kat:2 No:10-11 Yenişehir Mersin	(0 324) 238 11 89
Trabzon İrtibat Bürosu	Kemerakaya Mahallesi Halkevi Cad. Mandıralı İş Merkezi No: 4 Daire: 4 Ortahisar	(0 462) 432 24 50